



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(INSTALLATIONS AND ENVIRONMENT)
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

FEB 4 2004

The Honorable Duncan Hunter
Chairman, Committee on Armed Services
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Section 2884 of Title 10, United States Code, requires Congressional notification of each contract for the acquisition or construction of family housing units or unaccompanied housing units that the Secretary proposes to solicit under the housing privatization authorities and for each conveyance or lease proposed under Section 2878.

This letter notifies you of the Department of the Navy's intent to solicit a proposal to modify the current agreements with Camp Pendleton and Quantico Housing, Limited Liability Company (LLC) for the further (Phase 2) construction, operation, maintenance and management of family housing units at the Marine Corps Air Station, Yuma, Arizona and the San Mateo Point neighborhood and mobile home park at Marine Corps Base Camp Pendleton. The Department of the Navy intends to issue the Request for Proposal no sooner than 30 days after the date of this notification. A report providing details on this project is enclosed. The Office of the Secretary of Defense concurs with this notification.

Similar letters have been sent to the House and Senate Appropriations Subcommittees on Military Construction and the Senate Armed Services Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne Army", is written over the typed name.

Wayne Army

MILITARY HOUSING PRIVATIZATION INITIATIVE
MARINE CORPS AIR STATION YUMA
CAMP PENDLETON AND QUANTICO HOUSING LLC, PHASE 2
FAMILY HOUSING PROJECT REPORT

INSTALLATIONS:

Marine Corps Air Station Yuma, Arizona
Marine Corps Base Camp Pendleton, California

SCOPE:

The purpose of this project is to allow the Department of the Navy to work with the private sector to upgrade the quality of family housing, and operate and maintain that family housing, in an essential area of need. This project will leverage Department of the Navy assets with private investment to accomplish housing goals faster and at lower cost.

This project will result in modifications to the Phase I agreements that established a limited liability company interest to design, finance, construct, renovate, own, operate, maintain and professionally manage multiple family housing developments. The scope of this project will include:

Marine Corps Air Station Yuma: the privatization of 821 existing family housing units, demolition and replacement of 220 of the privatized units, and an estimated \$36.5 million in renovations on 290 of the privatized units, and

Marine Corps Base Camp Pendleton: the privatization of 76 existing family housing units and the privatization of the mobile home park (248 pads). The mobile home park will be closed in phases to facilitate transition for residents.

The following table summarizes the scope of this project:

	Existing Homes Privatized	Homes Demolished	Homes Replaced	Homes Renovated	No Work	Total Homes
Yuma						
On Station	693	220	220	162	311	693

All of the units will be made available to active duty military personnel on a right of first refusal basis.

AUTHORIZATION:

In addition to title 10 USC, Section 2872, General Authority, the following authorities will apply to this project or may be used in the future:

Section 2875,	Investments
Section 2872(a)	Utilities and Services
Section 2878,	Conveyance or Lease of Existing Properties and Facilities
Section 2880,	Unit Size and Type
Section 2881,	Ancillary Support Facilities
Section 2882(c),	Lease Payments Through Pay Allotments
Section 2877,	Differential Lease Payments*

*Not anticipated but may be used in the future

SUMMARY OF PROPOSED TERMS FOR AGREEMENT:

The Department of the Navy will issue a request for proposal to the Camp Pendleton and Quantico Housing, LLC for the privatization of an additional 897 existing units, demolition and replacement of 220 of these units and renovations on 290 units at the Marine Corps Air Station Yuma, Arizona and San Mateo Point neighborhood and mobile home park at Camp Pendleton, California.

The existing units will be conveyed via transfer of title. Land associated with units to be conveyed and units to be constructed will be leased for the term of the basic agreement. At the end of the approximately 50-year term, leased land will revert to the Department of the Navy and the entity will be required to transfer title of all infrastructure and improvements then existing to the Department of the Navy.

refusal basis for the basic agreement (50-year) term. Terms of the agreement will ensure that the total rent and normal utilities does not exceed individual military members' Basic Allowance for Housing (BAH).

JUSTIFICATION:

This project will result in the replacement of 220 existing units that are in disrepair and in need of replacement, and renovations to 290 units. The use of public/private venture authorities will leverage the Department of the Navy assets and allow for the renovation and replacement of critically needed housing units. This project will significantly improve the family housing living conditions and quality of life for military personnel in the Marine Corps Air Station Yuma and Marine Corps Base Camp Pendleton areas more rapidly than exclusive reliance on military construction.

SOURCE OF FUNDS:

The Marine Corps proposes funding this project using a combination of funds authorized and appropriated in fiscal years 2000 through 2004 for the construction, improvement projects and project savings of new family housing units and family housing improvements at Marine Corps Air Station, Yuma. The specific projects are as follows:

<u>FY</u>	<u>Location</u>	<u>Description</u>	<u>Amount</u>
00	VARLOCS	Planning & Design	\$0.022M
01	VARLOCS	Planning & Design	\$1.592M
02	VARLOCS	Planning & Design	\$2.949M
03	VARLOCS	Planning & Design	\$1.437M
04	MCAS Yuma	YU-H-0401, Yuma Public Private Venture	\$12.654M

Military members living in the housing will draw their Basic Allowance for Housing (BAH) and will pay rent directly to the Business Entity.